



U.S. Department of
Transportation

Office of the Secretary
of Transportation

ORDER

DOT 2300.3A

5-15-86

Subject: Financial Management Systems

1. **PURPOSE.** This Order, as required by Office of Management and Budget (OMB) Circular A-127, provides: (a) policies and procedures for developing, operating, evaluating, and reporting on financial management systems; (b) guidance on reporting under Section 4 of the Federal Managers' Financial Integrity Act; and, (c) guidance on the requirements that are provided in paragraph 3 of this Order.
2. **CANCELLATION.** DOT 2300.3, Departmental Financial Management Improvement, of 2/24/71..
3. **REFERENCES.**
 - a. Budget and Accounting Procedures Act of 1950 (64 Stat 832) requires the head of each department and agency to establish and maintain adequate systems of internal control.
 - b. Federal Managers' Financial Integrity Act amended the Accounting and Auditing Act of 1950 (64 Stat 834) to require ongoing evaluations and reports on the adequacy of the system of internal control.
 - c. 31 U.S.C. 1108, 3511, and 3512 are related to the above cited Acts.
 - d. OMB Circular A-71, Responsibilities for the Administration and Management of Automated Data Processing Activities.
 - e. OMB Circular A-123, Internal Control Systems.
 - f. OMB booklet "Financial Management and Accounting Objectives," dated March 1985, a follow-up to OMB Circular No. A-127 which provides additional details of the objectives to be achieved in designing new systems and in operating existing ones.
 - g. OMB booklet "Guidelines for Evaluating Financial Management/Accounting System," dated May 1985, a follow-up to OMB Circular No. A-127 which outlines a recommended approach to evaluating systems and preparing two required reports.

DISTRIBUTION: All Secretarial Offices
All Operating Administrations

OP: Office of
Financial
Management

4. **BACKGROUND.** The Budget and Accounting Procedures Act of 1950,, the Federal Managers' Financial Integrity Act, and related legislation ((31 U.S.C. 1108,, 3511,, and 3512)) provide that:

- a. Establishing and maintaining systems of accounting and reporting is the responsibility of the Executive Branch.
- b. Agency systems shall provide for:
 - (1) Complete disclosure of the financial results of the activities of the agency;
 - (2) Adequate financial information for agency management and for formulation and execution of the budget; and
 - (3) Effective control over revenue, expenditure, funds, property, and other assets.
- c. Full consideration shall be given to the needs and responsibilities of the Congress and the Executive Branch in systems design and reporting.
- d. Accounting principles and standards are to be prescribed by the Comptroller General.
- e. Each agency head shall report to the President and Congress annually on whether the agency's accounting system complies with principles and standards developed by the Comptroller General. The agency accounting system's compliance with the principles and standards should be evaluated in accordance with guidelines established by OMB.

5. **DEFINITIONS.**

- a. Accounting system is the- system for recording, classifying, and summarizing information on financial position and operations.
- b. Departmental Accounting and Financial Information System ((DAFIS)), which is being developed at the time of this writing, will be the centerpiece of the single, integrated financial management system within the Department of Transportation.

- c. Financial management information is all information on Federal spending, collections, assets, liabilities, **equity**; and related budgetary transactions and balances. This also includes data used to develop information for decisionmaking regarding unit costs, average pay rates, user **charges**, **etc.**
 - d. Financial management system is all manual and automated systems for planning, budget formulation and execution, program and administrative accounting, and audit: as well as other subsystems for recording and classifying financial data and reporting financial management information, including purchasing, property, inventory, etc.
 - e. Systems manager is the person responsible for ensuring that a financial system, as designated in the Inventory of Financial **Systems**, is established, maintained, reviewed, improved and reported upon in accordance with the requirements of this Order.
6. ~~POLICY~~ The Department will manage its accounting and financial management activities through planning, organizing, directing, controlling, and the application of modern information technology for the collection, use, and dissemination of accounting and financial information. This Order, required under **OMB Circular A-127**, is subject to revision based on additional **OMB** guidance, a review of the procedures followed in developing the Department's five-year plan, and/or the results of annual reviews of the Department's financial systems.
7. ~~ACTIONS~~. The following apply to any system developed and operated under this Order:
- a. The Department will develop a five-year plan covering all its financial systems.
 - b. The five-year plan shall feature specific milestones and obligation and outlay estimates to upgrade and operate all financial management **systems**.
 - c. The five-year plan shall feature a review and change approval process and be coordinated with the Information Technology five-year plan.

- d. The Department, as part of its five-year plan, will develop and maintain **DAFIS**: a single, integrated Departmental financial management system, which will be supplemented with subsystems.
- e. The Department's financial systems, which include **DAFIS**, will meet the objectives set forth in paragraph 8 of this Order.
- f. All financial subsystems which interface with **DAFIS** shall **also** meet the objectives set forth in paragraph 8 of this Order.
- g. Substantial revision to the Department's financial systems, including **DAFIS**, shall be developed on an interagency basis and be designed to meet the needs of all participating agencies.
- h. **DAFIS** shall be the source of financial information used in the budget, Treasury financial statements, financial reports to the Congress, and other financial reports.
- i. Funds for the development of new or substantially revised financial management systems shall be expended only for those financial management systems that are specified in the Department's **systems** inventory and five-year plan.
- j. Financial data needed in the Department shall be entered only once and automatically update accounts and other appropriate subsystems.

a. **FINANCIAL MANAGEMENT SYSTEM OBJECTIVES.** The following objectives shall be met by the ~~Department's~~ **system**, including subsidiary systems, in complying with applicable law and appropriate guidance of the General Accounting Office (GAO), the Treasury Department, and the **OMB**. A more detailed explanation of the objectives cited below is provided in **OMB's** 'Financial Management and Accounting Objectives.' Where objectives appear to conflict with other guidance, Operating Administrations shall communicate the particulars of the issue to, the Director, Office of Financial Management, for resolution.

- a. ~~Systems Operations~~ The system shall use the best of acceptably priced, contemporary technology--including automated data entry and edit, data management, data base dictionaries, electronic communications between systems, flexible report formats, and controlled access to data bases by personal computers and other means--to achieve the following objectives.
- (1) Usefulness, Financial data shall be gathered and processed only where necessary to meet specific internal management needs or external requirements. Reports shall be tailored to specific user, needs and if report usage does not justify cost, reports shall be terminated. Usefulness shall be determined, in part, through consultation with users as part of the financial systems reviews required by this Order.
 - (2) Timeliness. Financial management data shall be recorded as soon as practicable after the occurrence of the event, and relevant preliminary data shall be made available to managers by the fifth working day following the end of the reporting period. Other standards of timeliness may be established where the Department has inventoried reports and set specific standards, with user participation. Final, corrected data shall be available in time to meet external reporting requirements.
 - (3) Reliability and Completeness Financial management information shall be reasonably complete and accurate, shall be verifiable and ordinarily be drawn from the official records and systems, and shall be no more detailed than necessary to meet the needs of management and external requirements.
 - (4) Comparability and Consistency. Financial management data shall be recorded and ~~reported~~ in the same manner throughout the Department, using uniform definitions. Accounting shall be synchronized with budgeting. Consistency over time shall be maintained. New and revised systems shall adopt common, existing definitions and classifications.

- (5) ~~Efficiency and Economy~~. The system shall be designed and operated with reasonable total costs and transaction costs, in accordance with OMB guidelines. Systems which are excessively costly shall be identified and phased out. This shall be accomplished through installation of effective systems of planning and evaluation, sharing of data, elimination of overlap and duplication, and use of the best contemporary technology, including commercially available **packages** with proven success in other agencies or the private sector.
- b. Systems Integrity. The system shall feature reasonable **controls** designed; operated and evaluated in accordance with OMB Circular **A-123**, "Internal Control Systems," and **A-71**, "Responsibilities for the Administration and Management of Automated Data Processing Activities."
- c. Support for Budgets.
- (1) Financial management data shall be recorded, stored, and reported to facilitate budget preparation, analysis, and execution. Data shall **be** classified uniformly and classification at a minimum shall be at a level of detail that directly supports execution of enacted budgets and formulation of proposed budgets without excessive aggregation or **disaggregation**.
 - (2) Presidential and Congressional decisions shall be recorded precisely and financial management data on results shall be classified to track such decisions. This includes detailed support for **reports** to OMB under Circular **A-34**, "Instructions on **Budget Execution**," as required **by OMB**, and for routine budget submission materials under Circular **A-11**, "Preparation and Submission of Budget Estimates." Data required for budget and management decisionmaking on unit costs and performance shall be included in the system.
- d. Support for Management. Data shall be recorded and reported in a manner to facilitate carrying out the responsibilities of both program and administrative managers. The Department's financial management system shall provide for a coherent, timely, and accurate financial management data base. It should be supplemented as necessary to meet Departmental management and Executive Office requirements for administrative **data. Accrual** accounting information shall be developed only as needed for pricing purposes, comparative cost analyses, and to meet the needs of management or the Congress.

- e. Full Financial Disclosure Financial management data shall be recorded and reported as specifically required by **OMB** or Treasury, to provide for full financial disclosure and accountability in accordance with appropriate budget and accounting principles and standards. Financial disclosure requirements are met through the Budget, the Treasury Combined Statement, and related documents. The Department contributes to this disclosure through required reports to **OMB**, Treasury, and the Congress and through proper recording and classifying of financial data. Any other financial statements intended for use by the public shall be submitted to **OMB** for review and approval, and shall be evaluated on the basis of costs and benefits and for consistency with the Budget.

9. RESPONSIBILITIES.

- a. The Secretary of Transportation is the single designated official responsible for:
- (1) Ensuring that systems are established and properly maintained in accordance with the provisions of **OMB** Circular **A-127** and this Order.
 - (2) Approving the Departmental five-year plan and submitting the plan with the annual budget and management submission to **OMB** by September **30** of each fiscal year.
 - (3) Submitting the ~~Department's~~ report to the President and Congress on the results of the annual accounting systems reviews in accordance with Section 4 of the Federal Managers' Financial Integrity Act on or before each December **31**.
- b. The Assistant Secretary for Administration is the designated senior official responsible for:
- (1) Submitting the consolidated Departmental annual report,-- required by Section 4 of the Federal Managers' Financial Integrity Act, on the results of accounting systems reviews to the Secretary.
 - (2) Coordinating the overall agency-wide effort of reviewing, improving, and reporting on financial systems in accordance with this Order.

- (3) Coordinating the development of a five-year plan for developing new or substantially revising existing financial systems for the purpose of producing **DAFIS**, a single integrated efficient financial management system. The five-year plan shall be due to the Secretary on or about each September 1. A copy of the five-year plan will be made available to the Assistant Secretaries and other senior Department officials upon approval by the Secretary.
- c. The Director, Office of Financial Management, is the designated official responsible for:
- (1) Developing an annual plan indicating financial systems to be reviewed in the current fiscal year. The annual financial system review plan will be developed in accordance with **OMB's** "Guidelines for Evaluating, Improving, and Reporting upon Financial Management/Accounting Systems," "Financial Management and Accounting Objectives," and Section 4 of the Federal Managers' Financial Integrity Act.
 - (2) Providing guidance and direction to systems managers for the purpose of conducting and reporting on reviews of the Department's financial systems.
 - (3) Maintaining, and periodically updating, an inventory of existing and proposed financial systems which make up the Department's financial management system. The financial systems that are included in the financial management system are only those that meet the definition provided by **OMB**. Financial systems that are marginally important to the Department's financial management system are excluded from the inventory.
 - (4) Maintaining, and periodically updating, a list of persons specifically assigned the responsibility for each system making up the Department's system.
 - (5) Providing a copy of the inventory of financial systems and the list of persons assigned responsibility for the systems upon request.
 - (6) Evaluating the annual financial systems review reports prepared by Departmental system managers.

- (7) Preparing, in coordination with the Operating Administrations, a five-year plan indicating the need for the ~~development~~ of new or substantially revised financial systems. This plan will include appropriate milestones and estimated costs. The plan will be reviewed by the modal administrations each fiscal year and will be submitted to the Assistant Secretary for Administration on or about each August 1.
 - (8) Preparing an annual consolidated Departmental report summarizing the accounting systems reviews as required by Section 4 of the Federal Managers' Financial Integrity Act on or about November 15.
 - (9) Coordinating the foregoing reviews with the Assistant Secretary for Budget and Programs to ensure that the financial systems provide adequate support for the budget execution and formulation processes.
- d. The ~~Heads~~ of the Operating Administrations shall be responsible for:
- (1) Designating a system manager for each financial management system that the Operating Administration has or will have.
 - (2) Ensuring that the Director, Office of Financial Management, is notified when a system manager is designated or whenever there is a change in the designation.
 - (3) Ensuring that the representative(s) for the Operating Administration, assigned to assist the working group in developing ~~DAFIS~~, participate as necessary.
- e. System managers shall be responsible for:
- (1) Conducting reviews and preparing reports on financial systems in accordance with the applicable ~~OMB~~ directives and guidance provided by the Office of Financial Management, ~~M-80~~. The draft report is to be provided to the Office of Financial Management, ~~M-80~~, on or about each June 1. The draft report will be coordinated with the Office of Financial Management,

~~M-80~~; so that each Operating Administration and the **Office** of the Secretary can submit a final report to the Assistant Secretary for Administration by each July 1. As part of this review, failure to conform to **objectives** implementing appropriate accounting principles and standards shall be noted and included in reports **on** accounting systems under Paragraph **9a(3)** of this Order.

- (2) Coordinating the foregoing reviews with the Operating Administration budget office to ensure that the financial systems provide adequate support for the budget execution and formulation processes.
- (3) Ensuring that all financial systems are established, maintained, reviewed, improved and reported on in accordance with the provisions of this Order and the approved five-year plan.
- (4) Ensuring **compatibility** with other automated financial management systems by coordinating with the:
 - (a) Office of Information Systems and Telecommunications, (~~M-30~~), the design, development, and operation of any **system** that is developed under this Order.
 - (b) Managers of all systems which **may** affect, or which may be affected by, the financial management system being considered for **development**.

f! The Office of Inspector General shall:

- (1) Provide technical assistance, as necessary, to the Operating Administrations and the Office of the Secretary in their efforts to review and improve their financial management systems and in meeting the requirements of the Federal Managers' Financial Integrity Act.
- (2) Assist the *Assistant Secretary for Administration in the development of criteria and guidelines.

- (3) Perform, in an oversight capacity, the following types of evaluations:
- (a) **Selectively assess** the adequacy of the Department's accounting systems reviews to assure that they comply with the appropriate **OMB** guidelines and GAO Standards.
 - (b) Conduct independent reviews of financial systems as determined appropriate.

10. REPORTS, REQUIREMENTS, AND DUE DATES:

DUE DATE

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| a. | Each Operating Administration and the Office of the Secretary will report, in accordance with OMB Circular A-127 , on the results of its annual review of the Department's financial systems to the Assistant Secretary for Administration. The report will contain instances of nonconformance and the changes that are necessary to conform to A-127 over the next five years. This report is to be submitted in draft to the Office of Financial Management for review and coordination. | June 1 |
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| b. | Each Operating Administration and the Office of the Secretary will submit their final report, required in draft in the above paragraph, to the Assistant Secretary for Administration. | July 1 |

Note:. The Operating Administrations are not required to develop a five-year plan until **FY 87**. The Office of Financial Management will prepare and coordinate a Departmental five-year plan in **FY 86** which will be provided to the Operating Administrations for use in developing their five-year plan.

- c. The Office of Financial Management will submit the five-year plan for financial management systems to the Assistant Secretary for Administration. August 1
- d. The Assistant Secretary for Administration will submit the five-year plan for ~~development~~ of financial management systems to the Secretary for transmittal to ~~OMB~~ through the budget submission process. September 1
- e. The Office of Financial Management will submit the consolidated Departmental annual report required by Section 4 of the Federal Managers' Financial Integrity Act on the results of accounting systems reviews to the Assistant Secretary for Administration. November 15
- f. The Assistant Secretary for Administration will submit the consolidated Departmental annual report required by Section 4 of the Federal Managers' Financial Integrity Act on the results of accounting systems reviews to the Secretary. December 1
- g. The Secretary will **submit** the annual report required by Section 4 of the Federal Managers' Financial Integrity Act on the results of accounting systems reviews to the President and Congress. December 31

FOR THE SECRETARY OF TRANSPORTATION:

Jon H. Seymour
Assistant Secretary for
Administration